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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 004482

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STATE FOR EAP/RSP/TC, STATE PASS AIT/W

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TAGS: [PGOV](#) [TW](#) [KCPS](#)

SUBJECT: TVBS DRAWS GOVERNMENT'S FIRE

REF: A. TAIPEI 4439

1B. TAIPEI 4423

Classified By: AIT Acting Director David Keegan, reasons 1.4 b/d

11. (C) Summary: In what many hear interpret as a politically motivated attempt to quiet allegations of ruling party corruption, the Government Information Office has alleged that television station TVBS has violated Taiwan law restricting foreign ownership of satellite broadcasters to less than 50%. These allegations brought a howl of protest from the media and Pan-Blue supporters that the government was trying to silence critical press. Even Pan-Green supporters agree that the government appears to have overstepped its authority or at least committed a serious error in timing. The question for insiders is how far up does the responsibility lie. Following President Chen Shui-bian's recent statement that he did not want to see TVBS closed down, it appears likely that this part of the story will begin to wind down. But the heavy handed nature of GIO's threats, combined with the original corruption scandal, have done further damage to credibility of the ruling party and is likely to exact additional damage on its already faltering chances in upcoming local elections. The DPP will be relying on the axiom that the news cycle is short and these events will pass from the public consciousness as soon as the next scandal occurs. End summary.

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Origins of a Tempest
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12. (U) Satellite broadcaster TVBS has been at the forefront of reporting on the scandal surrounding the improper recruitment and treatment of Thai laborers working on the Kaohsiung metro project (REFTEL A). TVBS has provided much of the investigative reporting into the case, including securing security camera video of President Chen's Deputy Secretary General Chen Che-nan gambling in Korea with the

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head of a firm accused of improperly recruiting and treating foreign labor on the Kaohsiung project. These reports resulted in Chen Che-nan's resignation from the DPP after TVBS alleged that he had improperly accepted travel and other benefits from the Kaohsiung labor firm. The success of TVBS in exposing Chen Che-nan's alleged inappropriate activities has now made the broadcaster the target of DPP politicians seeking to silence the station in the run-up to the December 3 country magistrate and mayoral elections.

13. (U) A request by LY members to the Government Information Office (GIO) for a review of TVBS's ownership structure resulted in the discovery that the station may have violated Taiwan laws on foreign ownership. The GIO announced that it was requesting additional documentation from TVBS to determine the percentage of TVBS shares held directly or indirectly by Hong Kong broadcaster TVB. GIO Chief Yao Wen-chi has repeatedly said that GIO has the authority to close TVBS if it is found to have violated ownership regulations. GIO set a deadline of Friday, November 4 but TVBS has so far refused to provide the information. TVBS argues that its license renewal application was just approved by GIO on October 27 and they have already paid an NT\$200,000 (apx. US\$6000) fine for not disclosing the February 2005 share sale.

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Taiwan Satellite Broadcaster Restrictions
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14. (U) According to the 2003 Satellite Broadcast Law, foreign entities may directly hold up to 50% of shares in a Taiwan broadcaster. There is no statutory limit on indirect investment, however GIO has ruled in other cases involving terrestrial broadcasters that a Taiwan company that is fully owned by a foreign entity shall be treated as a foreign entity for the purposes of determining eligibility to invest in a Taiwan broadcaster. According to registration documents, Taiwan-registered Orient Broadcasting (Dong Feng Shi Tai) holds 53% of the shares in TVBS while Hong

Kong-based broadcaster TVB (through the wholly owned Bermuda Television Broadcasting Corp.) holds the other 47%. According to TVB's 2004 annual report, the February TVB purchase of outstanding shares in Liann Yee Production Company raised its ownership in that company to 100%. Liann Yee Production Company is the sole shareholder of Orient Broadcasting.

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Public Opinion supports TVBS
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15. (U) TVBS's response to the GIO's request has been to accuse the government of conducting a "political witch hunt" and trying to smear TVBS as a pro-China media outlet. TVBS has recently boosted its ratings with news reports and programs critical of the government and the controversy is likely boost them further. Public opinion polls and opinion pieces in major Chinese-language dailies suggest that most people in Taiwan believe agree with TVBS that GIO's accusation is politically motivated, suppresses press freedom, and is an attempt by the ruling party to distract public attention from the DPP officials, involvement in the Kaohsiung transit system scandal in the run-up to the December 3 election. A minority argue that press freedom and GIO's probe into TVBS' shareholder structure are two separate issues. The mass-circulation "Apple Daily" released a poll survey Tuesday, November 1 which showed that 69.5 percent of the people interviewed said they believe the Chen Shui-bian administration's recent behavior toward TVBS suppresses the cable station and press freedom. The poll also finds that 95.6 percent of the respondents said they will support TVBS, and not the government, if the government recalls TVBS' broadcasting license. The Apple Daily devoted almost a full page on November 1 on a report quoting the heads of five major journalism schools in Taiwan, universities blasting the DPP government for encroaching on press freedom and "intimidating the media." Opinion makers from all sides of the political spectrum are in agreement that this incident, at a minimum, reflects a serious misjudgement, if not incompetence on the part of the government.

16. (U) Editorial opinions of the Taiwan dailies fall along the normal pro-Blue and pro-Green divide. The Pan-Blue-inclined newspapers roundly condemned the timing and motivation behind the ruling DPP government's investigation into TVBS' ownership structure. The "China Times" ran editorials for two consecutive days describing GIO's statements and request for information from TVBS as the "imperilment of (democratic) core values"; it also accused the DPP government of attempting to "smear" TVBS as "pro-Communist" in order to cover up alleged corruption by DPP officials. A "China Times" editorial called GIO's request part of a "well-orchestrated political witch hunt." The similarly Blue "United Daily News" ran an editorial stating that a majority of Taiwan people stand by TVBS, and had given the station a "mandate" from Taiwan society to unveil the government's corrupt practices. The more neutral but highly popular "Apple Daily" also ran an editorial criticizing the DPP's approach and comparing it to the former KMT administration's "encroach(ment) on press freedom."

17. (U) Pan-Green newspapers criticized TVBS for abusing the power of the Fourth Estate while applauding the GIO for dutifully doing its job based on the rule of law. Editorials of the pro-independence "Liberty Times" and "Taiwan Daily" unanimously urged the GIO to probe into TVBS, shareholder structure and source of capital to see if the cable station has taken the Chinese government's money to promote Beijing's united-front strategy in Taiwan. The "Taipei Times" ran an editorial stating that Taiwan is a nation where freedom of speech is largely safeguarded, or the DPP administration would not have received so much criticism. The editorial called GIO's move a just one which "has nothing to do with opposing press freedom." The "Taiwan News" also noted that "even if the government's motivations are open to examination, TVBS remains responsible for ensuring that its ownership structure is legally valid."

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Experts: GIO actions legal but foolish
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18. (C) Telecommunications and broadcast legal expert June Su agreed that the GIO had so far acted within its legal mandate by requesting additional information on TVBS's ownership structure. She agreed that Yao had shown bad judgment in trying to pursue this issue at a time when TVBS was conducting a series of investigative reports on alleged corruption within the DPP, but supported GIO's concerns about possible Chinese investment in Taiwan broadcasters. If TVBS refused to comply with the GIO's lawful request, they would be in violation of the law and subject to penalties, she said. Well-placed media contacts have told us that the legality of GIO's request in the public eye is undermined by the fact that no mention of the ownership issue was made when

TVBS applied for renewal of its broadcasting license just one month ago.

19. (C) Both Pan-Blue and Pan-Green lawmakers told AIT that they consider the controversy to be clearly political, although they disagree about who is directing the effort. DPP Legislator CC Lin (Cho-shui) surmised that GIO Chief Yao had independently made a foolish decision to try to rein in TVBS in order to stop the constant stream of reports on alleged DPP corruption before the December election. Lin said Yao's action and subsequent statements threatening to close TVBS had not only severely damaged the government's credibility, but had also damaged the reputation of the DPP and hampered the DPP's prospects in the coming election. But PFP Legislator Hwang Yih-jiau disagreed, arguing that the move against TVBS was part of a "good cop/bad cop" conspiracy initiated by President Chen to improve his popularity before the election. According to Hwang, Yao and Premier Hsieh are cast in the bad cop (hei ren) role, demanding TVBS be closed down for imagined infractions. This allows President Chen to step in as the good cop (bai ren), promise TVBS will not be shut down and bolster his abysmal public opinion ratings.

10. (C) Lin acknowledged that the TVBS ownership structure appeared to be legal under the provisions of the satellite broadcast law, but offered that the complete control of TVBS by a foreign-based entity clearly violated the intent of the law. Hwang agreed that TVBS had not broken any law and added further that TVBS had no obligation to respond to GIO's request for information. Both Hwang and Lin agreed that the GIO, which will pass its broadcast regulatory role to the NCC as soon as that body is officially established, should defer any decision on the matter to the NCC. Since that was unlikely, each predicted that there would be continued barbs in the media, but that TVBS would ultimately be asked to do no more than pay a fine and revise its license application to note the change in ownership. Lin disagreed with those who called this a crisis for Taiwan press freedom, suggesting that it was mostly noise, and would not have a lasting effect on the behavior of the media. Hwang added that in light of President Chen's statement that he would not support closing TVBS, the PFP would not renew its call for public demonstrations, but warned that the government was likely to continue to subtly harass TVBS in the future.

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Comment: DPP running out of feet to shoot
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11. (C) The TVBS reports on DPP corruption have already brought down a presidential advisor close to Premier Hsieh. Although TVBS's ownership structure is a legitimate concern of the government and TVBS did itself no favors by failing to report its change in ownership, the legal issue is clearly a tool GIO is using to try to rein in a media outlet that has boosted its ratings by alleging corruption by officials close to the center of the DPP. The move to clamp down on reporting of the case, spearheaded by GIO Chief Yao, has obviously backfired on the DPP this time, helping to turn an important local corruption case into a national indictment of DPP governance. It has also made TVBS talkshow "2100" the hit of the season -- the election season that is -- in Taiwan. Even long-time DPP supporters are critical of the government's inept handling of this case. The DPP's image has been further tarnished, which will do it no good in upcoming elections. But both the news cycle and public memory are short and, barring closure of TVBS, it is hard to see how this incident will have any long-term effects on Taiwan's political balance. End comment.
Keegan